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UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF CALIFORNIA  
SAN FRANCISCO DIVISION

UNIVERSITY OF PITTSBURGH OF THE  
COMMONWEALTH SYSTEM OF HIGHER  
EDUCATION d/b/a UNIVERSITY OF  
PITTSBURGH

Plaintiff,

vs.

VARIAN MEDICAL SYSTEMS, INC.

Defendant.

Case No. CV 08-02973 MMC

**UNIVERSITY OF PITTSBURGH'S  
OPPOSITION TO MOTION TO  
DISMISS UNDER FED. R. CIV. P.  
12(B)(6) BY VARIAN MEDICAL  
SYSTEMS, INC.**

Date: September 5, 2008  
Time: 9:00 a.m.  
Courtroom 7, 19th Floor

**TABLE OF CONTENTS**

	<b>Page</b>
I. INTRODUCTION .....	1
II. APPLICABLE LAW .....	2
III. PROCEDURAL HISTORY .....	2
A. Relevant Facts .....	2
B. When UPitt Filed The Pennsylvania Action, It Had A Reasonable Basis To Believe It Had Standing .....	4
C. New Facts Establishing Standing .....	4
IV. ARGUMENT .....	4
A. Claim Preclusion Requires A Prior Decision On The Merits .....	4
B. The Prior Dismissal In The Pennsylvania Case Was Not “On The Merits” Because It Was A Dismissal For Failure To Join A Necessary Party .....	5
1. Under Rule 41(b), A Dismissal Based On Failure To Join A Party Is Not A Judgment On The Merits .....	5
2. A Dismissal For Lack Of Standing Is Not Preclusive To A Future Suit Where Standing Exists .....	5
3. Rule 41(b) Prohibits The Result That Varian Seeks .....	8
4. Varian’s Untimeliness Argument Is Wrong As A Matter Of Fact And Law .....	8
5. The Cases Cited By Varian Concern A Party Trying To Relitigate The Same Standing Issue A Second Time, An Issue Not Presented In This Case .....	11
C. UPitt Corrected Any Standing Issues That Had Existed In The Pennsylvania Litigation .....	13
1. It Does Not Matter Whether CMU Could Have Sued Varian .....	13
2. It Does Not Matter Whether UPitt And CMU Were In Privity In The Prior Lawsuit .....	14
D. UPitt Engaged In No Misconduct In The Pennsylvania Litigation, And Its Complaint Was Not Dismissed As A Sanction .....	15
E. Public Policy Demands That UPitt Be Allowed To Have The Merits Of Its Dispute With Varian Resolved .....	17
F. The Appeal Of The Pennsylvania Case Challenges The Ruling That UPitt’s Original Ownership Rights Did Not Convey Standing .....	19
V. CONCLUSION .....	19

**TABLE OF AUTHORITIES**

**Cases**

<i>Accrued Fin. Servs., Inc. v. Prime Retail, Inc.</i> , 298 F.3d 291 (4th Cir. 2002).....	18
<i>Adarand Constructors, Inc. v. Mineta</i> , 534 U.S. 103 (2001).....	8
<i>Adolph Coors Co. v. Sickler</i> , 608 F. Supp. 1417 (C.D. Cal. 1985) .....	10
<i>Arachnid, Inc. v. Merit Indus., Inc.</i> , 939 F.2d 1574 (Fed. Cir. 1991).....	16
<i>Ball v. Halsell</i> , 161 U.S. 72 (1896).....	18
<i>Baris v. Sulpicio Lines, Inc.</i> , 74 F.3d 567 (5th Cir. 1996).....	11
<i>Chemlen v. Bank of Ireland First Holdings, Inc.</i> , No. 93-1592, 1993 U.S. App. LEXIS 28614 (1st Cir. Nov. 3, 1993).....	12
<i>Cory v. Fahlstrom</i> , No. 05-3010, 2005 U.S. App. LEXIS 13074 (10th Cir. Jun. 29, 2005).....	12
<i>Dore v. Kleppe</i> , 522 F.2d 1369 (5th Cir. 1975).....	17
<i>Envtl. Prot. Info. Ctr. v. Pac. Lumber Co.</i> , 469 F. Supp. 2d 803 (N.D. Cal. 2007) .....	7
<i>Hughes v. United States</i> , 71 U.S. (4 Wall.) 232 (1866) .....	5, 7, 8
<i>Int'l Nutrition Co., v. Horphag Research Ltd.</i> , 257 F.3d 1324 (Fed. Cir. 2001).....	14
<i>Intellectual Property Development, Inc. v. TCI Cablevision of California, Inc.</i> , 248 F.3d 1333 (Fed. Cir. 2001).....	6
<i>Israel Bio-Eng'g Project v. Amgen Inc.</i> , 475 F.3d 1256 (Fed. Cir. 2007).....	14
<i>Kaspar Wire Works, Inc. v. Leco Eng'g &amp; Mach., Inc.</i> , 575 F.2d 530 (5th Cir. 1978).....	2
<i>Kearns v. General Motors Corp.</i> , 94 F.3d 1553 (Fed. Cir. 1996).....	18
<i>Kremer v. Chem. Constr. Corp.</i> , 456 U.S. 461 (1982).....	2, 12

1	<i>La. Envtl. Action Network v. Browner</i> ,	
2	87 F.3d 1379 (D.C. Cir. 1996) .....	7
3	<i>Lowe v. United States</i> ,	
4	79 Fed. Cl. 218 (Fed. Cl. 2007) .....	1
5	<i>Mann v. Merrill Lynch, Pierce, Fenner &amp; Smith, Inc.</i> ,	
6	88 F.2d 75 (5th Cir. 1973).....	9, 10, 11
7	<i>Martin v. Brown</i> , 63 F.3d 1252 (3d Cir. 1995) .....	17
8	<i>Media Techs. Licensing, LLC v. Upper Deck Co.</i> ,	
9	334 F.3d 1366 (Fed. Cir. 2003).....	5, 6, 7, 19
10	<i>Mentor H/S, Inc. v. Med. Device Alliance, Inc.</i> ,	
11	240 F.3d 1016 (Fed. Cir. 2001).....	7, 8
12	<i>Motorola Credit Corp. v. Uzan</i> ,	
13	388 F.3d 39 (2d Cir. 2004).....	7
14	<i>ProtoComm Corp. v. Novell, Inc.</i> ,	
15	Civ. Action No. 94-7774, 1998 U.S. Dist. LEXIS 9636 (E.D. Pa. June 29, 1998) .....	10
16	<i>Regents of Univ. of N.M. v. Knight</i> ,	
17	21 F.3d 1111 (Fed. Cir. 2003).....	4, 14
18	<i>Saylor v. Lindsley</i> ,	
19	391 F.2d 965 (2d Cir. 1968).....	5, 17
20	<i>Segal v. Am. Tel. &amp; Tel. Co.</i> ,	
21	606 F.2d 842 (9th Cir. 1979).....	1
22	<i>Semtek International, Inc. v. Lockheed Martin Corp.</i> ,	
23	521 U.S. 497 (2001).....	5
24	<i>Smith v. Pittsburgh Gage &amp; Supply Co.</i> ,	
25	388 F.2d 983 (3d Cir. 1968).....	18
26	<i>Staples v. Ruyter Bay Land Partners</i> ,	
27	Civ. No. 2005-11, 2007 U.S. Dist. LEXIS 90806 (D. V.I. Dec. 10, 2007) .....	12
28	<i>Stewart v. U.S. Bancorp.</i> ,	
	297 F.3d 953 (9th Cir. 2002).....	12, 13
	<i>Talbot v. Quaker-State Oil Refining Co.</i> ,	
	104 F.2d 967 (3d Cir. 1939).....	15
	<i>Tripati v. Henman</i> ,	
	857 F.2d 1366 (9th Cir. 1988).....	19
	<i>Trujillo v. Colorado</i> ,	
	649 F.2d 823 (10th Cir. 1981).....	9, 11
	<i>United States v. McGann</i> ,	
	951 F. Supp. 372 (E.D.N.Y. 1997) .....	10

DB2/20806008.1

iii

1	<i>Venuto v. Witco Corp.</i> ,	
2	117 F.3d 754 (3d Cir. 1997).....	10
3	<i>Wong v. Regents of Univ. of Cal.</i> ,	
4	410 F.3d 1052 (9th Cir. 2005).....	11
5	<b>Statutes</b>	
6	28 U.S.C. § 1295 .....	7
7	35 U.S.C. § 100(d) .....	14
8	35 U.S.C. § 261 .....	14
9	35 U.S.C. § 281 .....	14
10	<b>Rules</b>	
11	10th Cir. R. 32.1 .....	12
12	Fed. R. Civ. P. 11 .....	16
13	Fed. R. Civ. P. 19(b) .....	3
14	Fed. R. Civ. P. 41(b) .....	passim
15	<b>Other Authorities</b>	
16	Wright, Miller & Cooper, <i>Federal Practice and Procedure:</i>	
17	<i>Jurisdiction</i> § 4435 (2d ed.) .....	11

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1 The University of Pittsburgh (“UPitt”) opposes the motion by Varian Medical Systems,  
2 Inc. (“Varian”) to dismiss this case on *res judicata* grounds.

### 3 I. INTRODUCTION

4 The issue before the Court is straightforward: can a party whose complaint has been  
5 dismissed for lack of standing file a new complaint after correcting the alleged ownership defect  
6 that led to the finding of a lack of standing, and proceed with the new lawsuit? The answer  
7 according to all of the courts to consider this issue and Federal Rule of Civil Procedure 41(b) is  
8 YES. Varian, by ignoring controlling precedent, citing unpublished opinions that do not address  
9 the issues to be decided by this Court, and misstating the facts, seeks to dismiss this action, even  
10 though there has never been any consideration of the merits of this claim.

11 Varian makes three arguments to support its motion. It claims that UPitt cannot file a new  
12 lawsuit because the first lawsuit was dismissed “on the merits.” It also argues that the case was  
13 dismissed due to UPitt’s alleged unreasonable delay in adding Carnegie Mellon University  
14 (“CMU”) as a party, and UPitt must be punished for its unreasonable delay in naming CMU as a  
15 party. Finally, it argues that the prior order is entitled to *res judicata* effect because the decision  
16 was based on prudential rather than constitutional standing.

17 None of Varian’s arguments have any merit. In case after case, the courts of this circuit  
18 and the Federal Circuit have held a litigant whose action has been dismissed based on a lack of  
19 standing, can cure the defect and re-file, so long as it makes sufficient allegations of facts that it  
20 has corrected the standing issue. In *Segal v. Am. Tel. & Tel. Co.*, 606 F.2d 842, 844-45 (9th Cir.  
21 1979), the Ninth Circuit held:

22 Although a judgment of dismissal for lack of jurisdiction is valid and final, the  
23 judgment does not bar another action by the plaintiff on the same claim. The  
24 aspect of *res judicata* with which we are concerned is issue preclusion, formerly  
denominated “direct estoppel.” Issue preclusion, unlike bar, forecloses litigation  
only of those issues of fact or law that were actually litigated . . . .

25 (citations omitted). Quoting the Restatement, the court went on to note that filing a new claim  
26 after the barrier to suit no longer exists is not prohibited. *Id.* at 845.

27 The Court of Federal Claims has ruled on this issue as well, providing a cogent summary  
28 of the law. *See Lowe v. United States*, 79 Fed. Cl. 218, 230 (Fed. Cl. 2007):

DB2/20806008.1

1 In summary, a prior dismissal on jurisdictional grounds does not prohibit a  
 2 subsequent claim on the merits, because those merits have not been heard by the  
 3 court; the prior dismissal *does* preclude the same action based on the same facts  
 4 unless the jurisdictional flaw that necessitated dismissal of the first suit has been  
 5 cured. . . . If the alleged “cure” is sufficient to repair the prior jurisdictional defect,  
 collateral estoppel does not apply to the prior jurisdictional determination because  
 the issue of the court’s subject matter jurisdiction over the case *as situated post-*  
*“cure”* has not yet been litigated.

6 (emphasis in original). In the instant case, there are “new facts” and “new issues” for the Court to  
 7 consider. In particular, the current standing posture must be evaluated by considering the  
 8 sufficiency of an assignment of patent rights from CMU to UPitt, occurring after the prior  
 9 standing dismissal, which cures any prior standing issue, and unquestionably enables UPitt to  
 10 bring its patent claims in this Court.

11 As will be shown herein, Varian’s motion is without merit, and is little more than an effort  
 12 to convince this Court to ignore long standing precedent and to transform an improvidently  
 13 granted “dismissal with prejudice” based on standing into a bar against further litigation between  
 14 the parties.

## 15 **II. APPLICABLE LAW**

16 *Res judicata* is composed of two doctrines: (1) claim preclusion or “true *res judicata*,”  
 17 and (2) issue preclusion or “collateral estoppel.” *Kaspar Wire Works, Inc. v. Leco Eng’g &*  
 18 *Mach., Inc.*, 575 F.2d 530, 535 (5th Cir. 1978). Claim preclusion holds that a “*judgment on the*  
 19 *merits* of an action precludes the parties . . . from relitigating issues that were or could have been  
 20 raised in that action.” *Kremer v. Chem. Constr. Corp.*, 456 U.S. 461, 467 n.6 (1982) (emphasis  
 21 added). Issue preclusion does not require a judgment on the merits, but is more limited than  
 22 claim preclusion, in that it only prevents litigation of an issue that is *identical* to an issue *fully*  
 23 *litigated* in the prior case. *Id.*

## 24 **III. PROCEDURAL HISTORY**

### 25 **A. Relevant Facts**

26 UPitt has asserted infringement of U.S. Patent Nos. 5,727,554 (‘554 Patent) and 5,784,431  
 27 (‘431 Patent), collectively the “patents-in-suit.” See Docket Entry 1 (Compl. ¶¶ 11, 16). UPitt  
 28 owns the patents-in-suit, including the right to maintain this lawsuit. *Id.* at Exs. 1, 2, 4.

1 UPitt filed a prior lawsuit against Varian alleging infringement of the '554 Patent and  
 2 '431 Patent in the Western District of Pennsylvania in April 2007. Varian's Req. for Judicial  
 3 Notice in Supp. of Mot. to Dismiss Ex. A [hereinafter "Varian's Req. for Judicial Notice"]. On  
 4 November 21, 2007, Varian moved to dismiss the case based on lack of standing, asserting that  
 5 CMU had an ownership interest in the patents-in-suit. UPitt's Req. for Judicial Notice In Opp'n  
 6 to Varian's Mot. to Dismiss Ex. 2 [hereinafter "UPitt's Req. for Judicial Notice"]. Varian  
 7 asserted that CMU's ownership rights created a "jurisdictional" defect, and raised the prospect  
 8 that an appellate court would void any final judgment based on "no jurisdiction." *Id.* at Ex. 1 at 2,  
 9 9.

10 Varian's summary judgment motion in the Pennsylvania Litigation was unmistakably  
 11 based on the absence of CMU:

12 If a patent is jointly owned, all co-owners must consent to join as plaintiffs in an  
 13 infringement suit. A co-owner acting alone lacks standing to sue for patent  
 14 infringement. As a result, "one co-owner has the right to impede the other co-  
 owner's ability to sue infringers by refusing to voluntarily join in such a suit" . . . .

15 CMU is a co-owner of the patents in suit. . . . Accordingly, UPitt is not the sole  
 owner and lacks standing to sue Varian for patent infringement.

16 (citations omitted). UPitt's Req. for Judicial Notice Ex. 2 at 6-7. Fed. R. Civ. P. 19(b) provides  
 17 that a court can dismiss the action "[i]f a person who is required to be joined . . . cannot be  
 18 joined." The Special Master recommended dismissal of UPitt's claims based on lack of standing  
 19 due to non-joinder of CMU:

20 In sum, we find that CMU is a co-owner of the patents and retained substantial  
 21 rights in the patents-in-suit. CMU is a necessary party to this action. We  
 22 recommend that the District Court grant the motion for summary judgment without  
 prejudice.

23 Varian's Req. for Judicial Notice Ex. G at 10. Judge Schwab agreed with the Special Master that  
 24 Varian's motion for summary judgment for lack of standing should be granted based on non-  
 25 joinder of a necessary party. Noting that the Special Master had found that "CMU thus is a  
 26 necessary party to this action," Judge Schwab stated that "[t]his Court agrees with the analysis of  
 27 the Special Master on this legal point." *Id.* at Ex. H at 2.

28 On April 30, 2008, the Pennsylvania Court granted Varian's motion for "lack of  
 DB2/20806008.1



standing,” and dismissed the case. Varian’s Req. for Judicial Notice Ex. H at 6.

**B. When UPitt Filed The Pennsylvania Action, It Had A Reasonable Basis To Believe It Had Standing**

Patent ownership begins with the inventor(s). *Regents of Univ. of N.M. v. Knight*, 321 F.3d 1111, 1118-19 (Fed. Cir. 2003). All of the inventors of the ’554 and ’431 Patents assigned their “entire right, title and interest” to the patents-in-suit solely to UPitt. *See* Docket Entry 1 (Compl. Exs. 2, 4 (assignments dated August 1996 and October 1996, respectively)). No other entity was assigned these rights, not even CMU.

CMU and UPitt created policies for joint development projects (“Joint IP Policy Guidelines”) such as the project that led to the patents-in-suit. *See* Sealed Declaration of Matthew H. Poppe in Support of Varian’s Motion to Transfer Action to U.S. District Court for the Western District of Pennsylvania Exs. H, I [hereinafter “Poppe Decl.”]. These policies, when read in their entirety, are consistent with a single institution, here UPitt, receiving legal title to the patents-in-suit so that it could commercialize the patents, while both institutions shared in the proceeds of this commercialization. *Id.* at Ex. H § G, Ex. I § G

**C. New Facts Establishing Standing**

After the order in April dismissing the matter, less than two months later on June 16, 2008, CMU assigned to UPitt any ownership interest it had in the patents-in-suit. *See* Docket Entry 1 (Compl. Ex. 1). After that assignment, UPitt unquestionably had full ownership of the patents and the right to sue Varian. *Id.* at Exs. 1, 2, 4. On the same day it received the assignment from CMU, UPitt filed the instant lawsuit, alleging the “new facts” concerning its standing to bring suit. *See* Docket Entry 1 (Compl. ¶¶ 10, 15, Ex. 1). Unable to dispute these facts, Varian’s brief simply ignores the factual change in ownership, and argues as if the transfer did not occur. The law makes clear that the transfer of title requires this Court to allow this case to proceed.

**IV. ARGUMENT**

**A. Claim Preclusion Requires A Prior Decision On The Merits**

For over 100 years, a fundamental requirement for *res judicata* has been a prior judgment

on the merits. *Hughes v. United States*, 71 U.S. (4 Wall.) 232, 237 (1866). Determining whether a decision is on the merits cannot be accomplished by inspection of the prior judgment for a “with prejudice” designation. *See Semtek International, Inc. v. Lockheed Martin Corp.*, 521 U.S. 497, 499, 509 (2001) (analyzing Rule 41(b) and finding prior judgment not necessarily preclusive even though it was “with prejudice”). Rather, the issue is whether the prior judgment decided the matter in dispute. As noted by the court in *Saylor v. Lindsley*, 391 F.2d 965, 968 (2d Cir. 1968), “[t]he requirement that a judgment, to be *res judicata*, must be rendered ‘on the merits’ guarantees to every plaintiff the right once to be heard on the *substance* of his claim” (emphasis added).

**B. The Prior Dismissal In The Pennsylvania Case Was Not “On The Merits” Because It Was A Dismissal For Failure To Join A Necessary Party**

**1. Under Rule 41(b), A Dismissal Based On Failure To Join A Party Is Not A Judgment On The Merits**

Fed. R. Civ. P. 41(b) says a judgment is to be considered an adjudication on the merits “*except* one for lack of jurisdiction, improper venue, or failure to join a party under Rule 19” (emphasis added). The rule is clear on its face that dismissals based on failure to join a party are not “on the merits.” Of course, that also has been black-letter law for over a century. *Hughes*, 71 U.S. at 237 (“If the first suit was dismissed for defect of pleadings, or *parties*, . . . or the want of jurisdiction, or was disposed of on any ground which did not go to the merits of the action, the judgment rendered will prove no bar to another suit.”) (emphasis added).

**2. A Dismissal For Lack Of Standing Is Not Preclusive To A Future Suit Where Standing Exists**

A judgment based on lack of standing is jurisdictional in nature, rather than on the merits. *Media Techs. Licensing, LLC v. Upper Deck Co.*, 334 F.3d 1366 (Fed. Cir. 2003) is controlling authority on this issue and requires that Varian’s Motion to Dismiss be denied. Despite Varian’s efforts to conjure up some distinctions between the current facts and *Media Technologies*, the cases are identical for purposes of resolving the claim preclusion issue presented by Varian’s motion. Like this case, *Media Technologies* involved two lawsuits, the first one having been

DB2/20806008.1

1 dismissed on standing grounds. *See* 334 F.3d at 1368. More particularly, the first suit was  
 2 dismissed because the assignment to the plaintiff was ineffective, so that, just like this case, the  
 3 plaintiff was alleged not to have full ownership of the patents. *See id.* The first suit in *Media*  
 4 *Technologies* was dismissed “with prejudice,” as was the Pennsylvania Litigation. *See id.* at  
 5 1369. The ownership was subsequently corrected by a proper transfer to Media Technologies,  
 6 and suit was refiled. *Id.* at 1368-69. The District Court dismissed the second suit based on claim  
 7 preclusion. *Id.* at 1369. It relied on the fact that the prior case “was dismissed with prejudice,”  
 8 the same language that Varian treats as a magical incantation in this case. *See id.* The Federal  
 9 Circuit reversed, stating unambiguously that dismissals based on standing are not preclusive:

10 To be given preclusive effect, a judgment must be a final adjudication of the rights  
 11 of the parties and must dispose of the litigation on the merits. . . . The Ninth  
 12 Circuit, in common with other federal courts, recognizes that standing is a  
 threshold question that must be resolved *before proceeding to the merits* of a case.  
 . . .

13 Because standing is jurisdictional, *lack of standing precludes a ruling on the*  
 14 *merits*. Thus, the district court erred in giving preclusive effect to the  
 15 Telepresence judgment because its dismissal of Telepresence’s complaint for lack  
 of standing was not a final adjudication of the merits.

16 *Id.* at 1369-70 (emphasis added). Similarly, the Pennsylvania Court’s dismissal, *see* Varian’s  
 17 Req. for Judicial Notice Ex. H at 6 (“the Court grants the Motion for Summary Judgment for  
 18 Lack of Standing”), is not preclusive, and *Media Technologies* makes crystal clear that it would  
 19 be legal error to give that prior judgment preclusive effect.

20 Varian attempts to get around the controlling holding in *Media Technologies* by arguing  
 21 that the case concerned constitutional standing while the dismissal in the Pennsylvania Litigation  
 22 involved “prudential” standing, and therefore, was not a “jurisdictional” dismissal. Varian’s  
 23 Mem. of P. & A. in Supp. of Mot. To Dismiss 13 [hereinafter “Varian Mem.”]. To support its  
 24 position Varian relies on *Intellectual Property Development, Inc. v. TCI Cablevision of*  
 25 *California, Inc.*, 248 F.3d 1333, 1348-49 (Fed. Cir. 2001). *Id.* Contrary to Varian’s assertions,  
 26 *TCI* does not hold that a dismissal based on prudential standing is not jurisdictional. In fact  
 27 there is controlling Federal Circuit law, conveniently ignored by Varian that is directly on point  
 28 and reaches a contrary conclusion. The Federal Circuit has held that lack of standing is

DB2/20806008.1

jurisdictional, whether based on constitutional standing or prudential standing. *Mentor H/S, Inc. v. Med. Device Alliance, Inc.*, 240 F.3d 1016, 1018 (Fed. Cir. 2001).<sup>1</sup> After noting that Mentor satisfied constitutional standing as an exclusive licensee, the Federal Circuit still dismissed the case based on lack of standing because “the issue of whether an exclusive licensee has sufficient rights in a patent to bring suit in its own name is jurisdictional, and, therefore, is not waived by a party’s failure to raise the issue in the district court.” *Id.*

This Court has ruled consistently with *Mentor*. See *Envtl. Prot. Info. Ctr. v. Pac. Lumber Co.*, 469 F. Supp. 2d 803, 812 (N.D. Cal. 2007) (“An Article III court cannot entertain the claims of a litigant unless that party has demonstrated the threshold issue of whether it has constitutional and prudential standing to sue.”). Unable to square its “prudential” argument with the decisions in *Media Technologies* and *Mentor*,<sup>2</sup> Varian cites off-point decisions (like *TCI*) and misstates their holdings.

Varian’s argument is surprising given the contrary position it took on the same issue in the Pennsylvania Court. In its opposition to add CMU to that case, Varian said “[t]he defect caused by its non-participation during the last eight months is jurisdictional, and jurisdiction cannot be conferred by consent.” UPitt’s Request for Judicial Notice Ex. 1 at 2. Varian worried that, if the case were to proceed in its current form, the parties would find the “judgment voided by an appellate court finding of no jurisdiction.” *Id.* at 9. Now that Varian perceives that previous position is no longer advantageous, it blithely takes a contrary position in this Court. Such flip-flops cannot change the law as articulated in *Mentor*.

The other theory that Varian advances in a weak attempt to distinguish *Media Technologies* is that the correction of standing in that case occurred “promptly,” whereas in this

<sup>1</sup> Varian cites *Motorola Credit Corp. v. Uzan*, 388 F.3d 39, 55 (2d Cir. 2004) for the proposition that prudential standing is not jurisdictional. However, unlike *Motorola*, this is a patent case, and Federal Circuit law controls. 28 U.S.C. § 1295. There appears to be a significant split in the circuits on this issue. See also *La. Envtl. Action Network v. Browner*, 87 F.3d 1379, 1381 (D.C. Cir. 1996) (“An Article III court cannot entertain the claims of a litigant unless the party has demonstrated constitutional and prudential standing . . .”).

<sup>2</sup> Because lack of standing is jurisdictional under Federal Circuit law, Rule 41(b) prevents a standing dismissal from being considered “adjudications on the merits” for *res judicata* purposes. See Fed. R. Civ. P. 41(b); *Hughes* 71 U.S. at 237. This is yet another reason why the dismissal in the Pennsylvania Litigation cannot be given claim preclusive effect.

1 case it allegedly did not. Varian Mem. 16. UPitt disagrees with that statement factually, but it is  
 2 also legally irrelevant. Varian cites no case for the theory that standing, left uncorrected for too  
 3 long, results in an adjudication on the merits. Such a holding would be contrary to established  
 4 precedent that lack of standing always requires dismissal for want of jurisdiction, even if raised,  
 5 *sua sponte*, for the first time at the Supreme Court. *See Adarand Constructors, Inc. v. Mineta*,  
 6 534 U.S. 103, 110 (2001); *see also Mentor*, 240 F.3d at 1018. A lack of standing always  
 7 precludes a court from reaching the merits. *See id.* Therefore, *Media Technologies* controls this  
 8 case, and mandates that Varian's motion to dismiss be denied.

### 9 **3. Rule 41(b) Prohibits The Result That Varian Seeks**

10 Because (1) the Pennsylvania Litigation was dismissed due to failure to join a necessary  
 11 party and the lack of jurisdiction that resulted, and (2) Rule 41(b) excludes dismissals for failure  
 12 to join a party or for lack of jurisdiction from being adjudications on the merits, it is indisputable  
 13 that the dismissal in Pennsylvania was not an adjudication on the merits. It is equally clear that,  
 14 because the dismissal was not an adjudication on the merits, it is not preclusive to the current  
 15 action. *See Hughes*, 71 U.S. at 237.

### 16 **4. Varian's Untimeliness Argument Is Wrong As A Matter** 17 **Of Fact And Law**

18 Varian argues to this court that the basic premise of the dismissal was that UPitt failed to  
 19 address the standing issue in a timely way and its "failure to do so was unreasonable." Varian  
 20 Mem. 2. That is, Varian is arguing to this court that the dismissal was based on UPitt's conduct.  
 21 But in the Pennsylvania Litigation, Varian argued that the dismissal was required as a matter of  
 22 law. It argued there was only one time to address the standing issue: on of the filing of the  
 23 complaint. The Pennsylvania Court adopted Varian's argument that UPitt could not correct or  
 24 cure the standing problem by amending the pleadings. The Pennsylvania Court's decision to  
 25 dismiss rests on a legal conclusion of whether UPitt had standing to sue at the time it filed the  
 26 complaint, and not on findings of fact as to UPitt's conduct and the timeliness of its response to  
 27 the issue. As discussed earlier, at the time it filed the initial complaint UPitt believed it had all of  
 28 the authority it needed to bring the action in its own name. All of the inventors had assigned their

DB2/20806008.1

rights to UPitt and CMU had entered into an agreement giving UPitt the exclusive right to commercialize the patents.

Undaunted, Varian argues that because the attempt to amend the pleading occurred after the expiration of the local rule for adding new parties, the failure to name the parties in accordance with the local rule means a subsequent suit must be barred. Varian cites no Ninth Circuit precedent to support its position, and the other circuit courts that have considered the issue have specifically held that the words of Rule 41(b) cannot be ignored. In *Trujillo v. Colorado*, 649 F.2d 823, 824 (10th Cir. 1981), the District Court ruled that an indispensable party had to be joined for the case to continue. When the plaintiff did not offer an amendment to correct the deficiency, the District Court dismissed the action. *Id.* Plaintiff refiled, and the District Court found the claim barred by *res judicata*. *Id.* at 825. The Tenth Circuit reversed, citing Rule 41(b). *Id.* Just like Varian, the defendant argued that the case was dismissed for failure to obey orders of the Court, but the Tenth Circuit rejected that proposition:

Trujillo's Title VII action was dismissed for failure to join proper parties and not for disobedience of a court order. The dismissal, therefore, did not constitute an adjudication on the merits and did not render that action *res judicata* to Trujillo's present suit.

*Id.* *Trujillo* relied on an earlier Fifth Circuit case that reached the same conclusion. In *Mann v. Merrill Lynch, Pierce, Fenner & Smith, Inc.*, 488 F.2d 75, 76 (5th Cir. 1973), the District Court found that Mann had not established diversity jurisdiction, and gave him 10 days to amend his complaint. He did not amend, and the District Court "dismissed for failure to obey the Court's March order." *Id.* The suit was refiled, but dismissed because the District Court "saw it as 'an apparent effort to thwart the Court's prior dismissal and denials of plaintiff's two motions to vacate said dismissal.'" *Id.* The Fifth Circuit reversed, and was pointed in its assessment of the allegation that failure to timely amend the complaint can turn what Rule 41 states is not an adjudication on the merits into an adjudication on the merits:

We hold that the suit should not have been dismissed. . . . Had the District Judge intended what he wrote literally – that the action was being dismissed because the March order had been "disobeyed" – he would have been guilty of an abuse of his Rule 41(b) discretion to dismiss.



1 *Id.* Based on Rule 41(b) and the case law interpreting that provision, it would be legal error to  
 2 conclude that the dismissal in Pennsylvania Litigation was a judgment on the merits that has  
 3 claim preclusive effect.

4 Varian cites a hodgepodge of district court cases, often unpublished, that give preclusive  
 5 effect to denials of requests to amend the pleadings. Those cases are all distinguishable from the  
 6 current facts because they did not involve jurisdictional dismissals or other dismissals that Rule  
 7 41(b) states are not adjudications on the merits. Varian relies heavily on *ProtoComm Corp. v.*  
 8 *Novell, Inc.*, Civ. Action No. 94-7774, 1998 U.S. Dist. LEXIS 9636 (E.D. Pa. June 29, 1998)  
 9 (cited in Varian Mem. 14). The original case in *ProtoComm* was not dismissed for defect of  
 10 parties; rather, it was tried to a jury resulting in a money judgment. *Id.* at \*6-7. An attempt to  
 11 add Novell prior to trial was denied (and later given preclusive effect), but there is no indication  
 12 that Novell was ever considered to be a necessary party to the case as filed. *Id.* at \*6, \*13-14.  
 13 Rule 41(b) did not apply. *See also United States v. McGann*, 951 F. Supp. 372, 375, 382  
 14 (E.D.N.Y. 1997) (court's rejection of new claims against the same defendant did not implicate the  
 15 Rule 41(b) categories of non-adjudications on the merits) (cited in Varian Mem. 14); *Adolph*  
 16 *Coors Co. v. Sickler*, 608 F. Supp. 1417, 1429, 1433 (C.D. Cal. 1985) (same) (cited in Varian  
 17 Mem. 14); *Venuto v. Witco Corp.*, 117 F.3d 754, 756-57 (3d Cir. 1997) (the plaintiffs sought to be  
 18 added were not necessary parties, and the case was tried to plaintiff's verdict as filed instead of  
 19 being dismissed on a party joinder issue) (cited in Varian Mem. 15). In each of these cases cited  
 20 by Varian, the Courts had jurisdiction and had all necessary parties before them. The Courts  
 21 involved also reached the merits of the claims in those cases.

22 The Pennsylvania Court, by virtue of its holding on standing, concluded that it did not  
 23 have all necessary parties before the Court, and lacked jurisdiction to hear the matter.  
 24 Accordingly, it did not reach the merits of the claims. While the cases cited by Varian indicate  
 25 that courts have authority to preclude new claims at a late stage of the litigation, the cases do not  
 26 stand for the proposition that UPitt is barred from pursuing its previously-dismissed claims now  
 27 that it is unquestionably before a Court with jurisdiction, and all necessary parties are  
 28 unquestionably present. The cases similarly do not stand for the proposition that a court can enter

DB2/20806008.1

1 an order in contravention of Rule 41(b), or that a dismissal related to joinder of parties can be  
2 treated as an adjudication on the merits and given preclusive effect.

3 *Wong v. Regents of Univ. of Cal.*, 410 F.3d 1052 (9th Cir. 2005) (cited in Varian Mem. 9)  
4 does not concern the issues raised by Varian's motion. The case did not involve a motion to  
5 dismiss on joinder grounds, and did not involve a motion to amend at all. Whether tardily-  
6 produced evidence can be excluded, the issue in *Wong* (*id.* at 1060), is not governed by Rule  
7 41(b). On the other hand, whether to treat a dismissal for failure to join a party, or for lack of  
8 jurisdiction, as preclusive is governed by Rule 41(b), which answers the question with a  
9 resounding "no." As Wright, Miller & Cooper have noted:

10 The first category covers involuntary dismissals for lack of jurisdiction, . . . or  
11 failure to join a party under Civil Rule 19. . . . [S]uch dismissals do not operate as  
12 an adjudication upon the merits. Dismissal on any of these grounds indeed should  
13 not preclude a second action on the same claim that overcomes the initial defect of  
jurisdiction, venue, or parties. . . . [T]he court should not have any option to  
provide that such a dismissal does operate as an adjudication that bars a second  
action.

14 Wright, Miller & Cooper, *Federal Practice and Procedure: Jurisdiction* § 4435 (2d ed.). Of  
15 course, that is exactly the result that *Trujillo* and *Mann*, discussed *supra*, reached. The cases cited  
16 by Varian did not reach that conclusion because they did not concern that issue.

17 **5. The Cases Cited By Varian Concern A Party Trying To**  
18 **Relitigate The Same Standing Issue A Second Time, An**  
**Issue Not Presented In This Case**

19 Trying to skirt established law, Varian cites several cases that bear little resemblance to  
20 the facts here. However, they have one important characteristic in common. Each case cited by  
21 Varian involves a second lawsuit where *the standing issue is the same* as in a prior case. The  
22 doctrine of issue preclusion prevents the same litigant from relitigating the same standing issue  
23 based on the same underlying facts a second time. *See Baris v. Sulpicio Lines, Inc.*, 74 F.3d 567  
24 (5th Cir. 1996) (a standing dismissal should not preclude a party from "litigating the same claim,  
25 *provided that the specific defect has been corrected*," but "[s]uch a dismissal should, however,  
26 preclude relitigation of the specific issue of jurisdiction") (emphasis added). UPitt is not trying to  
27 relitigate the same standing issue that was presented in the Pennsylvania Litigation. Rather, this  
28 case presents a *different* standing posture than presented in the Pennsylvania Litigation. The

DB2/20806008.1



Pennsylvania Court decided whether UPitt had standing based on the assignments from the inventors to UPitt. *See* Docket Entry 1 (Compl. Exs. 2, 4); Varian's Req. for Judicial Notice Ex. G at 10. The standing posture of this case is based on those two assignments *and a new assignment* from CMU that did not form a part of the standing resolution in the Pennsylvania Litigation. Docket Entry 1 (Compl. Ex. 1). UPitt's standing based on those three assignments has never been litigated, and issue preclusion cannot apply. *See Kremer*, 456 U.S. at 467 n.6.

In *Staples v. Ruyter Bay Land Partners*, Civ. No. 2005-11, 2007 U.S. Dist. LEXIS 90806 (D. V.I. Dec. 10, 2007) (cited in Varian Mem. 11), plaintiffs were dismissed for lack of standing, and then later returned, with no changed facts, and reasserted the same claims with the same standing issue existing. *Id.* at \* 12 ("In the instant action, without asserting a basis for standing, the Staples allege claims in the same capacity as the 2003 Plaintiffs in the 2003 Action."). The Court did not allow the plaintiffs to relitigate the same standing issue a second time. *Id.* While *Staples* uses the term claim preclusion, it is facially an issue preclusion case.<sup>3</sup> For this same reason, *Chemlen v. Bank of Ireland First Holdings, Inc.*, No. 93-1592, 1993 U.S. App. LEXIS 28614 (1st Cir. Nov. 3, 1993) (cited in Varian Mem. 11-12), does not control this case. A bankruptcy proceeding had determined that Chemlen did not have standing to prosecute an appeal of a lawsuit settlement by a trustee. *Id.* at \*1-3. Chemlen filed another case *that had the same standing deficiency* as the first case. *Id.* at \*3-4. It was held that *res judicata* prevented the second case. *Id.* at \*4.

It is unclear why Varian cited *Stewart v. U.S. Bancorp.*, 297 F.3d 953 (9th Cir. 2002) (*see* Varian Mem. 12 n.15), as that case did not concern a dismissal for failure to join the proper parties, or for lack of jurisdiction, or for lack of standing. Rather, plaintiffs' claims were dismissed because they were preempted by federal law. *Id.* at 959. The case actually supports

<sup>3</sup> Whether the Court uses the term "claim preclusion" or the term "issue preclusion" is not determinative. *See, e.g., Cory v. Fahlstrom*, No. 05-3010, 2005 U.S. App. LEXIS 13074 (10th Cir. Jun. 29, 2005) (unpublished) (affirming district court's dismissal of plaintiff's claims for lack of standing where facts underlying standing did not change). The Tenth Circuit noted that the District Court's reference to claim preclusion was not correct, but that issue preclusion did apply. *Id.* at \*4-\*5. The Tenth Circuit allows citation to its unpublished decisions. *See* 10th Cir. R. 32.1.

UPitt because the Ninth Circuit confirms that Rule 41(b) prohibits a dismissal based on “lack of jurisdiction, for improper venue, or for failure to join a party” from being an adjudication on the merits. *Id.* at 956. The reason the court found *res judicata* to apply is that preemption is a substantive bar to a claim, not a lack of subject matter jurisdiction. *Id.* at 958 (“[F]ederal preemption is a defense that applies once the court that is exercising jurisdiction considers the merits of the claims presented.”). As discussed above, standing is jurisdictional, and precludes reaching the merits. Therefore, under *Stewart*, Rule 41(b) would control and mandate that the dismissal in Pennsylvania Litigation was not “on the merits,” and thus not preclusive to this case. Moreover, unlike standing, preemption cannot be cured. Therefore, finding it to be a decision on the merits is far more sensible than any finding that a dismissal for lack of standing is claim preclusive to a future suit with corrected standing.

Varian’s arguments to this Court that a prior dismissal on standing bars the current claims where any standing issue has been corrected is unsupported by any legal authority. It would be legal error to grant Varian’s motion.

**C. UPitt Corrected Any Standing Issues That Had Existed In The Pennsylvania Litigation**

Varian argues that UPitt has not cured the standing issue that existed in the Pennsylvania Litigation. Varian Mem. 17-20. The arguments advanced are misplaced.

**1. It Does Not Matter Whether CMU Could Have Sued Varian**

Varian seems to be arguing that, since CMU did not have standing to sue as a co-owner, its assignee would not have standing to sue either. Varian Mem. 17. That would be true if CMU had transferred its rights to some stranger to the case. However, CMU transferred its rights to UPitt, the entity that already had all rights other than those CMU allegedly had. Accordingly, after the assignment, UPitt necessarily has all rights in the patents, and standing to sue. The cases cited by Varian are not relevant as they simply hold that all co-owners must join as plaintiffs in a patent infringement suit. In this case, UPitt acquired whatever interest CMU had, if any, in the patents-in-suit. It added what CMU had to its own prior ownership rights, unquestionably

DB2/20806008.1

securing full ownership, and standing to sue by itself.<sup>4</sup> *See Int'l Nutrition Co., v. Horphag Research Ltd.*, 257 F.3d 1324, 1331 (Fed. Cir. 2001) (50% co-owner cannot bring suit) (cited in Varian Mem. 17); *Israel Bio-Eng'g Project v. Amgen Inc.*, 475 F.3d 1256, 1264-65 (Fed. Cir. 2007) (there is no standing unless all co-owners join the suit) (cited in Varian Mem. 17). Varian cites no case for the proposition that, if Party A and Party B are co-owners, and Party B assigns to Party A, Party A still lacks standing to sue. No such case law exists, and the proposition is facially unsound. Title to an invention initially vests in the inventors. *Regents of Univ. of N.M.*, 321 F.3d at 1118-19. They typically assign the invention to their employer. *See id.* at 1119. According to Varian's theory, the employer would lack standing to sue because no individual inventor had standing. Varian ignores that after execution of such assignments, employers sue based on inventions of their employees every day, which is specifically authorized by statute. 35 U.S.C. § 261 (patents freely assignable), § 100(d) ("patentee" includes successors in title), § 281 ("patentee" has remedy of civil suit).

## 2. It Does Not Matter Whether UPitt And CMU Were In Privity In The Prior Lawsuit

Varian stretches the doctrine of claim preclusion beyond all recognition when it asserts that CMU lost its patents rights as a result of a jurisdictional standing resolution in the Pennsylvania Litigation where it was not a party. Varian Mem. 17 n.19, 18. It is ironic that Varian spent so much time in the Pennsylvania Litigation complaining that CMU was not a party, and now, in this Court, argues that CMU was for all practical purposes a party (Varian Mem. 18), and is barred by the result.<sup>5</sup>

<sup>4</sup> If Varian contends that the combination of UPitt's original rights and CMU's prior rights are not the entire ownership interest, that would be a question of fact precluding the grant of a 12(b)(6) motion where UPitt's operative pleading asserts full ownership rights. *See* Docket Entry 1 (Compl. ¶¶ 10, 15).

<sup>5</sup> Varian does not seem troubled by such inconsistencies. In the Pennsylvania Litigation, in opposition to UPitt's efforts to add CMU, Varian said UPitt "should be required to commence a new action to avoid the possibility of jurisdictional defects and to eliminate the prejudice that Varian would suffer if the current case were to continue with CMU as an added party." UPitt's Request for Judicial Notice Ex. 1 at 3. After convincing the Pennsylvania Court to deny the motion to amend, requiring UPitt to file this new case, Varian flip-flops and says it is prejudiced by the new case, and the new case is barred. Varian is apparently willing to say anything to avoid facing the merits of this infringement case.

1 First and foremost, as discussed above, the dismissal in the Pennsylvania Litigation was  
 2 not on the merits, so it is not preclusive to UPitt. It is for the same reason not preclusive to CMU,  
 3 whether or not UPitt and CMU were in privity in that lawsuit.

4 The cases cited by Varian do not support the legal propositions that Varian advances. In  
 5 *Talbot v. Quaker-State Oil Refining Co.*, 104 F.2d 967, 968 (3d Cir. 1939) (cited in Varian Mem.  
 6 18-19), the first court decided that the defendant was licensed, noting that “a license by one of  
 7 two joint owners is a complete defense to an infringement suit.” Unlike a standing dismissal for  
 8 failure to join a necessary party, a successful license defense is a defense *on the merits* and,  
 9 therefore, the court precluded a privy to the plaintiff from litigating the same claim. The case has  
 10 no application here. Varian’s citation of a case on license defense is odd, to say the least, given  
 11 that Varian’s *refusal to license* the UPitt patents is the reason for this lawsuit. The other cases by  
 12 Varian in its brief at page 18 relate to *whether* two parties are in privity, and have nothing to do  
 13 with a prior dismissal that was not on the merits.

14 **D. UPitt Engaged In No Misconduct In The Pennsylvania Litigation, And**  
 15 **Its Complaint Was Not Dismissed As A Sanction**

16 Varian speaks of UPitt’s “slippery legal tactics,” and “unjustified delay.” Varian Mem. 2,  
 17 10. While such name-calling is irrelevant to whether a standing dismissal is preclusive, the  
 18 allegations are also factually untrue. Shortly before filing the application that would become the  
 19 ’554 Patent, UPitt secured an assignment from each of the inventors. *See* Docket Entry 1 (Compl.  
 20 Ex. 2 (assignment dated August 1996)). The assignment was recorded at the United States Patent  
 21 and Trademark Office (“USPTO”), and the USPTO issued the ’554 patent listing “University of  
 22 Pittsburgh of the Commonwealth System of Higher Education” as the assignee. *Id.* at Ex. 3.  
 23 Similarly, shortly before filing the application that would become the ’431 Patent, UPitt secured  
 24 an assignment from each of the inventors. *Id.* at Ex. 4 (assignment dated October 1996). Again,  
 25 the assignment was recorded at the USPTO, and the ’431 Patent issued listing “University of  
 26 Pittsburgh of the Commonwealth System of Higher Education” as the assignee. *Id.* at Ex. 5.  
 27 When UPitt filed its suit in Pennsylvania, it believed it had standing to file the suit, and official  
 28 title records so indicated.

DB2/20806008.1

1 The cornerstone of a patentee's right to sue is possession of legal title to the patent at  
 2 issue. *See Arachnid, Inc. v. Merit Indus., Inc.*, 939 F.2d 1574, 1579 (Fed. Cir. 1991) ("The  
 3 general rule is that one seeking to recover money damages for infringement of a United States  
 4 patent (an action 'at law') must have held *legal title* to the patent *during the time of*  
 5 *infringement.*") (emphasis in original). At all times UPitt has had legal title to both patents in  
 6 suit. All of the inventors assigned all right, title, and interest in the patents-in-suit to UPitt. No  
 7 other entity was assigned these rights, not even CMU.

8 Varian argued in the Pennsylvania Litigation that two policy documents relating to joint  
 9 development projects between UPitt and CMU ("Joint IP Policy Guidelines") prevented UPitt  
 10 from having all substantial rights in the patent. *See Poppe Decl. Exs. H, I.* Particularly, Varian  
 11 latches on to statements in the policies that all IP jointly developed by UPitt and CMU would be  
 12 jointly owned by UPitt and CMU, but that does not change the fact that the inventors transferred  
 13 *legal title* in the patents-in-suit to UPitt, and what CMU received under the Joint IP Policy  
 14 Guidelines was a right to share in licensing proceeds from the patents-in-suit. *Id.* at Ex. H § G,  
 15 Ex. I § G. At no time did CMU claim that it had the right to assert the patents. Varian notes that  
 16 CMU was aware of the Pennsylvania Litigation (Varian Mem. 18); CMU never asserted that  
 17 UPitt was not the proper party to sue Varian. While these facts are not relevant to the instant  
 18 motion, they make clear that UPitt had a reasonable basis to file the suit in Pennsylvania.

19 As discussed earlier, Varian tries to suggest that the standing dismissal in the  
 20 Pennsylvania Litigation is some type of sanction for "wrongful" conduct by UPitt. Varian Mem.  
 21 16. The record in Pennsylvania says otherwise. Trying to press its wrongful conduct theory in  
 22 Pennsylvania, Varian filed a motion for sanctions under Fed. R. Civ. P. 11. UPitt's Req. for  
 23 Judicial Notice Ex. 3. Varian submitted a proposed order asking for a myriad of over-zealous,  
 24 punitive relief, including the following: "This action is hereby DISMISSED WITH PREJUDICE.  
 25 The Court finds this further sanction is also needed to deter future violations of Rule 11 . . . ." *Id.*  
 26 The Court denied the motion for sanctions *in its entirety*. Varian's Req. for Judicial Notice Ex. E  
 27 at 43 (Apr. 30, 2008 Text Order). Therefore, there is no basis in the evidentiary record to  
 28 conclude that the "with prejudice" dismissal in the Pennsylvania Litigation is based on anything

other than the basis stated, namely, lack of standing.<sup>6</sup>

**E. Public Policy Demands That UPitt Be Allowed To Have The Merits Of Its Dispute With Varian Resolved**

Varian apparently believes that public policy entitles it to a free ride on UPitt's hard work because the Pennsylvania Court disagreed with UPitt that the inventions solely belonged to UPitt, and instead found they were jointly owned by UPitt and CMU. *See* Varian Mem. 19. It is clear that the inventions were not developed by Varian, or owned in any part by Varian, or licensed in any way to Varian, even though Varian has misappropriated them to make a profit. In that circumstance, public policy counsels that UPitt should have its day in court on the substance of the patent infringement claims, now that it has all the ownership interests that anyone has ever claimed are necessary to fully own the patents-in-suit. "[R]es judicata is a principle of public policy and should be applied so as to give rather than deny justice." *Dore v. Kleppe*, 522 F.2d 1369, 1374 (5th Cir. 1975); *see also Saylor*, 391 F.2d at 968 ("every plaintiff [has] the right once to be heard on the substance of his claim").

While Varian complains of prejudice, it never articulates what prejudice it suffered. For example, it never identified any discovery it took in the Pennsylvania Litigation that would have been unnecessary had CMU been a party. The important question is not what burden litigation placed on Varian, as it is a patent infringer whose conduct is actionable. Rather, the question is what burden did the initial portion of the dispute occurring without CMU as a party place on Varian. As Varian admits in its paper, CMU was subject to discovery in the Pennsylvania Litigation. Varian Mem. 18. The only additional burden placed on Varian by CMU's absence was the motion practice to determine whether CMU had ownership rights. However, the parties disputed that issue (and still dispute it), so resolution of the disputed issue was not an *undue* burden, or an *unfair* burden, to place on Varian.<sup>7</sup> Ultimately, the District Court in Pennsylvania

<sup>6</sup> To the extent Varian is arguing that the Pennsylvania Court nevertheless dismissed the Pennsylvania Action with prejudice as a sanction, it would be contrary not only to the record, but to the law. *See Martin v. Brown*, 63 F.3d 1252, 1262-63 (3d Cir. 1995) (holding that imposition of sanctions violates due process if it was done without *particularized* notice and an opportunity to be heard) (emphasis added).

<sup>7</sup> UPitt has also taken other steps to avoid inefficiencies going forward, such as (1) agreeing that



1 disagreed that UPitt was the sole owner, and promptly thereafter, UPitt obtained a new  
 2 assignment from CMU so that Varian's infringement could be addressed. Public policy does not  
 3 suggest that infringers be allowed unfettered access to the intellectual property of others over an  
 4 initial standing dispute about whether a patent is solely owned or co-owned by the plaintiff,  
 5 which is later mooted by a supplemental assignment. In a troubling pattern in its motion,  
 6 Varian's cases on this subject simply do not support the proposition it argues. *See Ball v. Halsell*,  
 7 161 U.S. 72, 77-78, 84 (1896) (enforcing a statute that forbade the assignment of claims against  
 8 the government for purposes of litigation) (cited in Varian Mem. 19); *Accrued Fin. Servs., Inc. v.*  
 9 *Prime Retail, Inc.*, 298 F.3d 291, 298 (4th Cir. 2002) (rejecting "lawsuit-mining" assignments for  
 10 litigation "with no regard for the informed wishes of the real parties in interest") (cited in Varian  
 11 Mem. 19). In this case, the assignment from CMU to UPitt was for the purpose of vesting  
 12 ownership in a single party that could enforce the patents against an infringer who might  
 13 otherwise get a free ride on the work of others. The assignment from CMU to UPitt does not  
 14 violate public policy. Varian's motion is particularly shocking in that it asks the Court to  
 15 invalidate the assignment on public policy grounds in the context of a Rule 12(b)(6) motion based  
 16 on no factual findings. That would be legal error.

17 While public policy sometimes counsels courts to reject *res judicata* even though it  
 18 technically applies (*see Smith v. Pittsburgh Gage & Supply Co.*, 388 F.2d 983, 984 (3d Cir.  
 19 1968)), Varian cites no cases for the application of *res judicata* due to public policy when the  
 20 technical requirements, like a prior judgment on the merits, are not met.

21 Finally, the Federal Circuit has noted that "[w]hen applying *res judicata* to bar causes of  
 22 action that were not before the court in the prior action, due process of law and the interest of  
 23 justice requires cautious restraint." *Kearns v. General Motors Corp.*, 94 F.3d 1553, 1556 (Fed.  
 24 Cir. 1996). Varian told the Pennsylvania Court that the Pennsylvania Litigation could not

25  
 26 discovery taken in the prior case can be used in this case, and (2) agreeing to have the Special  
 27 Master from the Pennsylvania Litigation finish his work on claim construction, or alternatively, to  
 28 have an accelerated *Markman* hearing in this case, since the issues have already been briefed. On  
 the other hand, Varian is not looking for fairness or efficiency; it is looking to win the lottery by  
 turning a minor standing issue in the prior suit into a multimillion dollar release.

1 proceed due to a “jurisdictional” issue, and that a new suit should be required. UPitt Request for  
 2 Judicial Notice Ex. 1 at 2, 3. Varian is poorly situated from a justice and public policy  
 3 perspective to assert that this new case is barred because of the jurisdictional dismissal it brought  
 4 about in the prior case by its motion practice.

5 **F. The Appeal Of The Pennsylvania Case Challenges The Ruling That**  
 6 **UPitt’s Original Ownership Rights Did Not Convey Standing**

7 UPitt has never contended that the appeal in the Pennsylvania Case made the dismissal in  
 8 the Pennsylvania Case non-preclusive. Thus, Varian’s extended discussion of the finality of  
 9 judgments pending appeal (Varian Mem. 20) is irrelevant. The prior judgment is not preclusive  
 10 because it was a finding of lack of jurisdiction, based on standing, for failure to join a necessary  
 11 party, and thus not on the merits, under either common law or Fed. R. Civ. P. 41(b). Given that  
 12 the prior decision is not preclusive, the presence of an appeal of that decision cannot justify  
 13 dismissal of this case. Varian cites no authority for that proposition. That would be new law.

14 The concern voiced by *Tripati v. Henman*, 857 F.2d 1366, 1367 (9th Cir. 1988) (cited in  
 15 Varian Mem. 20 n.22) is not present here. UPitt has not filed an “identical” case to the one  
 16 previously filed in Pennsylvania. Rather, UPitt has filed a new case where it unquestionably has  
 17 standing to sue, even if it did not have standing in Pennsylvania.<sup>8</sup>

18 **V. CONCLUSION**

19 Varian has wholly failed to demonstrate that this case should be dismissed. It cites no  
 20 case, in any court, where a dismissal based on a standing deficiency was held to be *res judicata*  
 21 against a subsequent suit where standing had been corrected. Fed. R. Civ. P. 41(b) and *Media*  
 22 *Technologies* control this case and require that the case be allowed to proceed. Varian’s Motion  
 23 to Dismiss should be denied and this case must be allowed to proceed to trial.

24  
 25  
 26  
 27 <sup>8</sup> UPitt believes it had standing originally, and that is why it has appealed the dismissal in the  
 28 Pennsylvania Litigation. The Court of Appeals will not address the standing posture presented in  
 this case as that issue was not litigated in the Pennsylvania Court.



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Respectfully submitted,

Dated: August 15, 2008

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By: /s/ Daniel Johnson, Jr.

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8 UNITED STATES DISTRICT COURT  
9 NORTHERN DISTRICT OF CALIFORNIA  
10 SAN FRANCISCO DIVISION

11 UNIVERSITY OF PITTSBURGH OF THE  
12 COMMONWEALTH SYSTEM OF HIGHER  
13 EDUCATION d/b/a UNIVERSITY OF  
PITTSBURGH

14 Plaintiff,

15 v.

16 VARIAN MEDICAL SYSTEMS, INC.

17 Defendant.  
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Case No. CV 08-02973 MMC

**[PROPOSED] ORDER DENYING  
MOTION TO DISMISS UNDER FED. R.  
CIV. P. 12(B)(6) BY VARIAN MEDICAL  
SYSTEMS, INC.**

1           Upon consideration of Defendant Varian Medical Systems, Inc.'s ("Varian's") Motion to  
2 Dismiss Under Fed. R. Civ. P. 12(b)(6), Plaintiff University of Pittsburgh's Opposition to Varian's  
3 Motion to Dismiss Under Fed. R. Civ. P. 12(b)(6), any reply thereto, supporting papers and  
4 materials, the pleadings and papers of record, and oral arguments by counsel,

5 IT IS HEREBY ORDERED THAT:

6           The Motion to Dismiss Under Fed. R. Civ. P. 12(b)(6) by Varian Medical Systems, Inc. is  
7 hereby DENIED.

8  
9 IT IS SO ORDERED.

10 Dated: \_\_\_\_\_, 2008

\_\_\_\_\_  
The Honorable Maxine M. Chesney  
United States District Court Judge